

REPORT OF EXAMINATION
CHIRPORACTIC SERVICE BUREAU, INC.

Everett, Washington

As of December 31, 1997



Participating States:
Washington

Chiropractic Service Bureau, Inc.

CHIEF EXAMINER AFFIDAVIT

I hereby certify I have read the attached Report of the Financial Examination of CHIRPORACTIC SERVICE BUREAU, INC., of Everett, Washington. This report shows the financial condition and related corporate matters as of December 31, 1997.

James T. Odiorne, CPA, JD
Deputy Commissioner for Company Supervision
Acting Chief Examiner

4/6/99

Date

Chiropractic Service Bureau, Inc.

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Chiropractic Service Bureau, Inc.

Seattle, Washington
February 19, 1999

The Honorable Deborah Senn, Commissioner
Washington Department of Insurance
Insurance Building
P.O. Box 40255
Olympia, WA 98504-0255

Dear Commissioner Senn:

In accordance with your instructions and in compliance with the statutory requirements of Chapter 48.03 Revised Code of Washington (RCW) and RCW 48.44.145, an examination was made of the corporate affairs and financial records of

CHIRPORACTIC SERVICE BUREAU, INC.

of

Everett, Washington

hereinafter referred to as "CSB" or the "Company," at its home office located at 8625 Evergreen Way, #210, Everett, Washington 98208. This report is respectfully submitted showing the condition of the Company as of December 31, 1997.

SCOPE

This examination covers the period January 1, 1993 through December 31, 1997 and comprises a comprehensive review of the books and records of the Company. The examination followed the statutory requirements contained in the Washington Insurance Code and the guidelines recommended by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook. The examination included identification and disposition of material transactions and events occurring subsequent to the date of examination that were noted during the examination. Additionally, the examiners reviewed and utilized the work papers prepared by the Company's independent auditors to the extent possible.

Chiropractic Service Bureau, Inc.

INSTRUCTIONS

The examiners reviewed the Company's filed 1997 Annual Statement as part of the statutory examination. The review focused on determining if the Company's Annual Statement was completed in accordance with the Annual Statement Instructions published by the National Association of Insurance Commissioners. The following summarizes the exceptions noted while performing this review and the Company is instructed to correct and comply in future Annual Statement filings, per RCW 48.44.095.

In addition, the review focused on determining if the Company was in compliance with its Articles of Incorporation and Bylaws, as filed with Washington's Secretary of State and Office of Insurance Commissioner (OIC). The following summarizes the exceptions noted while performing this review and the Company is instructed to correct and comply with the terms of its Articles of Incorporation and Bylaws.

1. Vacant Director Position

The Company is instructed to appoint a panel member to fill the vacant and unexpired term of the fifth director position, in accordance with Article III, Section 2.g. of the Bylaws. The Company is further instructed to hold elections at its next Annual Meeting to permanently fill the vacant fifth director position, in accordance with Article II, Section 1 of the Bylaws.

2. Unrecorded Cash Receipts

The Company is instructed to keep timely and complete reconciliations of its general ledger accounts and to keep full and adequate accounts and records of its assets, obligations, transactions and affairs, as required by RCW 48.05.280.

3. Unaudited Financial Statements

The Company is instructed to submit its financial records and statements to an independent certified public accountant for annual examination and file audited financial statements with the Office of Insurance Commissioner, as required by WAC 284-07-120.

RECOMMENDATIONS

The examination developed the following comments or recommendations calculated to prevent non-compliance in the future.

1. Centralized Accounting System

It is recommended that CSB adopt the necessary procedures for Northwest Administrators, Inc., as the contracted third-party administrator, to capture, record

Chiropractic Service Bureau, Inc.

and report all financial information of CSB in a centralized general ledger system that should include all transactions of the executive checking account and all adjusting entries posted by its CPA firm.

2. Going Concern

During 1997, the Company's primary source of revenue is derived from two (2) contracts through one (1) entity, presenting a 'going concern' in the event CSB loses these contracts. It is recommended that CSB intensify its marketing efforts to increase the number of groups under contract and expand its sources of revenue.

3. Disaster Recovery Plan

It is recommended that the Company write, test and implement a Disaster Recovery Plan, which is to include appropriate escalation procedures to resolve operational failures in a timely manner, as required by NAIC Guidelines,

4. Business Recovery Plan

It is recommended that the Company prepare a Business Contingency Plan that addresses the continuation of all significant business activities, including financial functions, telecommunication services and data processing services, in the event of a disruption of normal business activities, as required by NAIC Guidelines.

Chiropractic Service Bureau, Inc.

HISTORY

Chiropractic Service Bureau, Inc., received its authorization to operate as a HEALTH CARE SERVICE CONTRACTOR under the statutory requirements of Chapter 48.44 of the Revised Code of Washington on March 17, 1971. Starting in October 1971, the Company's accounting, claims and marketing operations have been administered by Northwest Administrators, Inc. (NWA), a third-party administrator. CSB provides prepaid group chiropractic health care coverage and conducts its business exclusively within the State of Washington.

Effective June 1991, the Company's registration was changed to that of a LIMITED HEALTH CARE SERVICE CONTRACTOR under the statutory requirements of RCW 48.44.035.

MANAGEMENT

The day-to-day operations of CSB are under the direction of James H. Baker, Vice President of Northwest Administrators, Inc., the third-party administrator hired by CSB.

Officers:

<u>Name</u>	<u>Title/Affiliations</u>
Arthur Thompson, D.C.	President
Harold T. Hughes, D.C.	Secretary, Treasurer

Directors:

<u>Name</u>
Arthur Thompson, D.C.
Harold T. Hughes, D.C.
David E. Mackey, D.C.
Anthony Gutierrez, D.C.

RESERVES AND OTHER FUNDS

Statutory Minimum Net Worth

RCW 48.44.035 requires every LIMITED HEALTH CARE SERVICE CONTRACTOR to maintain a minimum net worth of three hundred thousand dollars. As of the examination date, the audited net worth of CSB was \$639,192, exceeding the required minimum.

Chiropractic Service Bureau, Inc.

Statutory Indemnity Account

Along with its 1997 Annual Statement, CSB filed Form IC-13A-IC with the Office of Insurance Commissioner, which calculates the statutory required indemnity for uncovered expenditures. The required indemnity balance was calculated to be \$2,900.00. RCW 48.44.035(6) requires the Company to place in joint custody with OIC a deposit consisting of securities, an approved surety bond and/or cash equal to the statutory required indemnity. CSB deposited a \$10,000 Certificate of Deposit into its Indemnity Account deposit, which was confirmed as of the examination date. The required indemnity is in compliance with RCW 48.44.035.

CORPORATE RECORDS

The examiners reviewed the corporate records of Chiropractic Service Bureau, Inc., for the period under examination. All Board meetings were conducted with a quorum present. The Board members ratified all changes to the Articles of Incorporation and Bylaws.

Article II, Section 1 of the Bylaws states the number of Directors for this Corporation shall be five (5). Currently, CSB has only four (4) Directors. Dr. Burkette resigned his position, effective February 14, 1997. (See Instructions No. 1).

ACCOUNTING RECORDS AND PROCEDURES

The Company maintains its accounting records on a cash basis of accounting and adjusts to Statutory Accounting Practices (SAP) basis for Annual Statement reporting. CSB contracted with Northwest Administrators, Inc., to oversee the day to day operations of CSB, including all accounting functions. Dr. Hughes, Secretary-Treasurer of CSB, maintains a separate executive checking account which he uses to pay certain Board and Company expenses. Transactions through the executive account are not reflected in the accounting records maintained by NWA. CSB also contracts with the Certified Public Accountants, Crow & Associates, PSC, to prepare and file the Quarterly and Annual Statements with the State of Washington. Although the Quarterly and Annual Statements include all transactions of the executive account and adjustments posted by the CPA firm during the preparation of the filings, the CPA's adjustments are not reflected in the accounting records of CSB as maintained by NWA. Despite these separations of the accounting system, it appears that the statements accurately capture, record and report the financial status of CSB without material error. However, CSB's accounting internal controls could be strengthened by having a centralized general ledger maintained by NWA, that includes all transactions of the executive checking account and the CPA firm. (See Recommendation No. 1).

The Annual Statements filed with OIC during the examination period were examined and reviewed to verify that they were prepared in a manner consistent with the statutory requirements of Title 48 Revised Code of Washington, Title 284 Washington Administrative Code, the standards and procedures required or prescribed by the Washington Office of Insurance Commissioner and the National Association of Insurance Commissioners. The following areas deviated from these standards and procedures:

Chiropractic Service Bureau, Inc.

Filing Non-Audited Financial Statements

The independent auditors of CSB compiled the balance sheet, related statements of income and fund balance, and cash flows for the year ended December 31, 1997. The compilation is limited to presenting in the form of financial statements information that is for the representation of the trustees of CSB. The CPA's did not audit or review the financial statements and supplementary schedule and, accordingly, did not express an opinion or any other assurance on them.

WAC 284-07-120 requires annual examination by independent certified public accountants of the financial statements reporting the financial position and the results of operations of all insurers. An insurer may be exempt from filing audited financial statements if premiums are less than \$1,000,000 and the number of subscribers is less than 1,000. CSB filed unaudited Annual Statements with OIC during each of the five years under examination, asserting that they were exempt from filing audited financial statements. While the 1997 premiums of \$577,380 were below the \$1,000,000 threshold, CSB reported having 4,142 subscribers as of December 31, 1997, which exceeds the 1,000 threshold. Consequentially, CSB is not in compliance with WAC 284-07-120 and should either file an audited financial statement with OIC or apply for special consent of the Commissioner for exemption. (See Instructions No. 3).

Cash Receipts

The December 31, 1997 Annual Statement reported Uncollected Premiums of \$53,581. A review of the December 1997 cash receipts and deposits noted CSB received and deposited this reported receivable on December 30, 1997. No transactions were posted to the general ledger until January 1998. This deposit of \$53,581 should have been posted and reflected in the December 1997 financial records appropriately. (See Instructions No. 2).

Claims Unpaid

The reserves carried by the Company for Claims Unpaid were \$151,471 as of December 31, 1997. This included an accrual of \$128,400 for Estimated Incurred But Unreported claims.

Howard Johnson & Company was retained by CSB to provide an opinion on the adequacy of CSB's loss reserves. The actuary concluded that the amounts reported in the 1997 Annual Statement met the requirements of the insurance laws of the State of Washington, made good and sufficient provision for all unpaid claims, were computed on the basis of assumptions consistent with those used in prior years, and included appropriate provisions for all actuarial items which ought to be established.

These reserves and the claims history of CSB were reviewed by the examination staff. The estimates indicate that the reported reserves for each year under examination were within a reasonable range. Therefore, these reserves are accepted as reported in the Company's 1997 Annual Statement.

INTERNAL SECURITY

Chiropractic Service Bureau, Inc.

Conflict of Interest

Chiropractic Service Bureau, Inc., has a Statement As To Other Interests questionnaire for the disclosure of conflicts of interest. Each of the directors sign the statement annually. The signed statements are reviewed annually for conflicting situations.

Fidelity Bond and Other Insurance

The Company is a named insured on a fidelity insurance policy which provides coverage against employee theft and dishonesty. The NAIC suggested minimum amounts of fidelity insurance were calculated at a minimum of \$25,000 - \$50,000. The Company carries \$30,000 which is adequate to meet the minimum guidelines. The policy is issued by an authorized insurer in the State of Washington.

TERRITORY AND PLAN OF OPERATIONS

CSB is registered as a LIMITED HEALTH CARE SERVICE CONTRACTOR, offering only prepaid group chiropractic health care coverage. CSB does not wish to have restrictions placed upon the coverage it offers (such as referrals from primary physicians, limited number of visits, limits on the amount covered, etc.) that larger health care service contractors commonly practice. The plans offered by CSB allow the subscribers the flexibility to chose a chiropractor without a referral from a primary physician. Consequentially, CSB is operating in a very small and limited market and the Directors are very much aware of this fact. There are no plans in the foreseeable future to change this practice.

EDP SYSTEMS AND OPERATIONS

Since the Company has contracted the services of Northwest Administrators, Inc., a third-party administrator, for its EDP processing, the scope of the examination will be limited to Section H - Outside Service Center Controls, Section J - Contingency Planning and Section L - Year 2000 Compliance Controls.

The operation and application controls of NWA were reviewed to determine the type of hardware installed; operating systems and proprietary software in use; back up and recovery facilities employed and the controls exercised to maintain data security. Adequate procedures and controls are in place for mainframe and network operations, PC's and Year 2000 issues. The Company is on schedule for becoming Year 2000 compliant by year end 1998.

NWA has made a business decision not to expend resources preparing a Disaster Recovery Plan or a Business Contingency Plan. It is NWA's opinion that the back-up medium is easily compatible with other UNIX systems that are readily available and its manual processing can continue with little delay. The lack of recovery plans places the financial records of CSB at risk of being lost and unrecoverable. (See Recommendations No. 3 and 4).

Chiropractic Service Bureau, Inc.

GROWTH OF COMPANY

The following schedules reflect the growth of the Company, by year, beginning in 1992. The amounts shown were compiled from the Company's filed Annual Statements:

Schedule 1

<u>Year</u>	Admitted <u>Assets</u>	<u>Liabilities</u>	Total Reserve & <u>Unassigned Funds</u>
1997	\$974,286	\$355,094	\$639,192
1996	954,633	278,379	676,254
1995	903,024	312,116	590,908
1994	847,067	333,455	513,612
1993	867,290	394,338	472,952

Schedule 2

<u>Year</u>	Premiums <u>Earned</u>	Claims <u>Incurred</u>	Expenses <u>Incurred</u>
1997	\$577,380	\$507,617	\$154,012
1996	683,607	467,245	144,952
1995	735,588	540,868	133,260
1994	802,265	611,458	169,355
1993	853,605	625,138	153,053

SUBSEQUENT EVENTS

No material events subsequent to the examination date were noted which would have a significant effect in the financial condition of Chiropractic Service Bureau, Inc.

FINANCIAL STATEMENTS

The following examination financial statements show the financial condition of Chiropractic Service Bureau, Inc., as of December 31, 1997:

- Statement of Assets, Liabilities, Surplus and Other Funds
- Underwriting and Investment Exhibit
- Analysis of Examination Changes in Financial Statements
- Comparative Statement of Assets, Liabilities, Surplus and Other Funds
- Comparative Underwriting and Investment Exhibit
- Five Year Reconciliation of Capital and Surplus Account

Chiropractic Service Bureau, Inc.

CHIROPRACTIC SERVICE BUREAU, INC. Statement of Assets, Liabilities, Reserves and Other Funds As of December 31, 1997

	Balance Per Company	Adj. No.	Examination Adjustments	Ref.	Balance Per Examination
ASSETS					
Cash	\$ 854,984	(1)	\$ 53,581	Note 2	\$ 908,565
Subtotals, cash and invested assets	854,984		53,581		908,565
Uncollected premiums	53,581	(1)	(53,581)		-
Amounts receivable relating to uninsured accident and health plans	7,652				7,652
Federal income tax recoverable and other refunds	33,732				33,732
Interest and other investment income due and accrued	24,337				24,337
Total Assets	\$ 974,286		\$ -		\$ 974,286
LIABILITIES					
Claims unpaid	\$ 151,471			Note 3	\$ 151,471
Aggregate write-ins for other liabilities	183,623				183,623
Total liabilities	335,094		-		335,094
RESERVES AND OTHER FUNDS					
Statutory reserve	10,000				10,000
Unassigned funds	629,192				629,192
Total reserves and unassigned funds	639,192		-		639,192
Total Liabilities, Reserves and Other Funds	\$ 974,286		\$ -		\$ 974,286

Chiropractic Service Bureau, Inc.

CHIROPRACTIC SERVICE BUREAU, INC.

Underwriting and Investment Exhibit

For the Year Ended December 31, 1997

	Balance Per Company	Adj. No.	Examination Adjustments	Ref.	Balance Per Examination
<u>UNDERWRITING INCOME</u>					
Premiums earned	\$ 577,380			Note 4	\$ 577,380
Claims incurred	507,617				507,617
Expenses Incurred:					
Administrative	138,096				138,096
Soliciting	<u>15,916</u>		<u> </u>		<u>15,916</u>
Total underwriting deductions	<u>661,629</u>		<u>-</u>		<u>661,629</u>
Net underwriting gain or (loss)	(84,249)		-		(84,249)
<u>INVESTMENT INCOME</u>					
Net investment income earned	<u>40,137</u>		<u> </u>	Note 5	<u>40,137</u>
Net investment gain or (Loss)	40,137		-		40,137
<u>OTHER INCOME OR EXPENSE</u>					
Aggregate write-ins for other income or expense	<u>550</u>		<u> </u>	Note 6	<u>550</u>
Net gain or (loss) before federal income taxes	(43,562)		-		(43,562)
Federal income taxes incurred	<u>(6,500)</u>		<u> </u>		<u>(6,500)</u>
Net Income or (Loss)	<u>\$ (37,062)</u>		<u>\$ -</u>		<u>\$ (37,062)</u>
<u>RESERVES AND UNASSIGNED FUNDS</u>					
Reserves and unassigned funds December 31, prior year	\$ 676,254			Note 7	\$ 676,254
<u>GAINS AND (LOSSES)</u>					
Net gain or (loss)	<u>(37,062)</u>		<u>-</u>		<u>(37,062)</u>
Change in surplus as regards policyholders for the year	<u>(37,062)</u>		<u>-</u>		<u>(37,062)</u>
Reserves And Unassigned Funds December 31, Current Year	<u>\$ 639,192</u>		<u>\$ -</u>		<u>\$ 639,192</u>

Chiropractic Service Bureau, Inc.

CHIROPRACTIC SERVICE BUREAU, INC.
Analysis of Examination Changes in Financial Statements
As of December 31, 1997

	Adj. No.	INCREASE (DECREASE)	
Reserves and unassigned funds, per Company			\$ 639,192
<u>ASSETS</u>			
Cash and short-term investments See Instructions No. 1	(1)	\$ 53,581	
Uncollected premiums See Instructions No. 1	(1)	(53,581)	
Net Increase/(Decrease) to Surplus		<hr/>	<hr/> -
Reserves and unassigned funds, per Examination			<u>\$ 639,192</u>

Chiropractic Service Bureau, Inc.

CHIROPRACTIC SERVICE BUREAU, INC.
Comparative Statement of Assets, Liabilities, Reserves and Other Funds
As of December 31,

	1997	1996
ASSETS		
Cash	\$ 908,565	\$ 878,732
Subtotals, cash and invested assets	908,565	878,732
Uncollected premiums	-	51,751
Amounts receivable relating to uninsured accident and health plans	7,652	3,667
Federal income tax recoverable and other refunds	33,732	-
Interest and other investment income due and accrued	24,337	20,483
Total Assets	\$ 974,286	\$ 954,633
LIABILITIES		
Claims unpaid	\$ 151,471	\$ 99,872
Federal income taxes (excluding deferred taxes)	-	5,060
Aggregate write-ins for other liabilities	183,623	173,447
Total liabilities	335,094	278,379
RESERVES AND OTHER FUNDS		
Statutory reserve	10,000	10,000
Unassigned funds	629,192	666,254
Total reserves and unassigned funds	639,192	676,254
Total Liabilities, Reserves and Other Funds	\$ 974,286	\$ 954,633

Chiropractic Service Bureau, Inc.

CHIROPRACTIC SERVICE BUREAU, INC.
Comparative Underwriting and Investment Exhibit
For the Years Ended December 31,

	1997	1996
<u>UNDERWRITING INCOME</u>		
Premiums earned	\$ 577,380	\$ 683,607
Claims incurred	507,617	467,245
Expenses Incurred:		
Administrative	138,096	125,992
Soliciting	<u>15,916</u>	<u>18,960</u>
Total underwriting deductions	<u>661,629</u>	<u>612,197</u>
Net underwriting gain or (loss)	(84,249)	71,410
<u>INVESTMENT INCOME</u>		
Net investment income earned	40,137	40,186
Net investment gain or (Loss)	40,137	40,186
<u>OTHER INCOME OR EXPENSE</u>		
Aggregate write-ins for other income or expense	<u>550</u>	<u>1,050</u>
Net gain or (loss) before federal income taxes	(43,562)	112,646
Federal income taxes incurred	<u>(6,500)</u>	<u>27,300</u>
Net Income or (Loss)	<u>\$ (37,062)</u>	<u>\$ 85,346</u>

Chiropractic Service Bureau, Inc.

CHIROPRACTIC SERVICE BUREAU, INC. Five Year Reconciliation of Reserves and Unassigned Funds As of December 31,

	1997	1996	1995	1994	1993
RESERVES AND UNASSIGNED FUNDS					
Reserves and unassigned funds December 31, prior year	\$ 676,254	\$ 590,908	\$ 513,612	\$ 472,952	\$ 394,684
GAINS AND (LOSSES)					
Net gain or (loss)	(37,062)	85,346	77,439	40,660	78,268
Change in non-admitted assets	-	-	(143)	-	-
Change in reserves and unassigned funds for the year	(37,062)	85,346	77,296	40,660	78,268
Reserves And Unassigned Funds December 31, Current Year	<u>\$ 639,192</u>	<u>\$ 676,254</u>	<u>\$ 590,908</u>	<u>\$ 513,612</u>	<u>\$ 472,952</u>

Chiropractic Service Bureau, Inc.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

- A. Basis of presentation
The financial statements included herein have been prepared in accordance with accounting practices prescribed or permitted by the Office of Insurance Commissioner of the State of Washington and with the NAIC Financial Examiners Handbook.
- B. Underwriting expense
Underwriting costs such as commissions and general insurance expense are written off in the year incurred and not deferred and amortized against future earning.
- C. Income Taxes
Taxable income differs from statutory income due to capitalization of policy acquisition expenses, discounting of policy reserves and utilization of net operating loss and tax carry forwards.
- D. Non-admitted assets
Certain assets designated as "non-admitted," which consist of prepaid expenses have been excluded from the balance sheet. The non-admitted assets are reflected as direct adjustments from net worth. The total non-admitted assets as of December 31, 1997 amounted to \$143.

2. Cash

The audited balances for Cash On Hand And On Deposit and Short-Term Investments as of December 31, 1997 were as follows:

Cash on hand and on deposit	\$173,565
Short-Term Investments	<u>735,000</u>
Total Cash	<u>\$ 908,565</u>

3. Loss Reserves

Prepaid group chiropractic health care policies had the following reserves for the year ending December 31, 1997:

Professional Fees Payable	\$ 23,071
IBUR	<u>128,400</u>
Total Loss Reserve	<u>\$ 151,471</u>

Chiropractic Service Bureau, Inc.

4. Premiums Earned

The following is a summary of Premiums Earned for the year ending December 31, 1997. The two (2) contracts with Group A were the primary source of CSB's revenues. These contracts were renewed, effective October 1998, for a period of one (1) year. After which, the contracts will continue on a month by month basis until either party requests to cancel or amend the contracts. (See Recommendation No. 2).

Group A - Contract No. 1	\$363,711
Group A - Contract No. 2	213,521
Group B	<u>148</u>
Premiums Earned	<u><u>\$577,380</u></u>

5. Net Investment Income

The following is a summary of net investment income earned for the year ending December 31, 1997:

Cash on hand and on deposit	<u>\$40,137</u>
Gross investment income	40,137
Investment expenses	<u>0</u>
Net Investment Income	<u><u>\$40,137</u></u>

6. Aggregate Write-Ins For Miscellaneous Income

Aggregate Write-Ins For Other Income or Expense as of December 31, 1997 consisted of the following item:

Dues, Miscellaneous Fees	<u>\$550</u>
Total	<u><u>\$550</u></u>

7. Commitments and Contingencies

CSB signed an agreement with Northwest Administrators, Inc., effective March 1, 1997, whereby NWA agrees to provide certain promotional services and claims and administrative services. The agreement is effective for a term of seven (7) years, unless notice of termination is given by either party.

If the contractual relationship between CSB and NWA is terminated at the request of CSB, its successors or assigns, prior to March 1, 2004, then CSB is contractually obligated to pay NWA the sum of \$250,000 as liquidated damages. This payment may be a lump sum or four (4) annual installments with interest payable at 8%.

ACKNOWLEDGMENT

Chiropractic Service Bureau, Inc.

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of Chiropractic Service Bureau, Inc., and Northwest Administrators, Inc., during the course of this examination.

In addition, acknowledgment is made of the participation in the work and preparation to this report by John R. Jacobson, AFE, Examiner-in-Charge; Kevin J. Thomas; all from the Washington Office of Insurance Commissioner.

Chiropractic Service Bureau, Inc.

AFFIDAVIT

STATE OF WASHINGTON }
 } ss
COUNTY OF KING }

John R. Jacobson, AFE, being duly sworn, deposes and says that the foregoing report subscribed by him is true to the best of his knowledge and belief.

He attests that the examination of Chiropractic Service Bureau, Inc., was performed in a manner consistent with the standards and procedures required or prescribed by the Washington Office of Insurance Commissioner and the National Association of Insurance Commissioners (NAIC).

John R. Jacobson, AFE
Examiner-in-charge
State of Washington

Subscribed and sworn to before me this 6th day of April, 1999.

Susan Miller
Notary Public in and for the
State of Washington.